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Exporter Guide

An Update on the Status of Fresh Fruit Imports to South China

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Report Highlights:

The imported fresh fruit market in China has been expanding since the implementation of China's open door policy, despite the exclusion of some U.S. products on phytosanitary ground. After the signing of the U.S.-China Agricultural Cooperation Agreement, more U.S. agricultural products, including fresh fruit, are expected to enter the dynamic China market. Chinese importers who have extensive experience with U.S. fresh fruit are concerned about the quality and packaging of the imported products. They feel that their advice is being ignored by the big players. Despite the positive image of U.S. products, the rising income of Chinese consumers, the more open policy from Chinese authorities and lower tariff rate, U.S. exporters would find the South China market a tough challenge until they listen to their Chinese buyers.

Includes PSD changes: No

Includes Trade Matrix: No

Unscheduled Report

Guangzhou [CH3], CH

General Summary:

The imported fresh fruit market in China has been expanding since the implementation of China's open door policy despite the exclusion of some U.S. products on phytosanitary ground. More imported fresh fruits, including those from U.S., are on sale at almost all the hypermarkets and supermarkets in China. After the signing of the Agreement of U.S.-China Agricultural Cooperation, more U.S. agricultural products, including fresh fruits are expected to enter the dynamic China market. Chinese consumers have favorable impression of the high quality and better taste of U.S. fresh fruits.

At present, most of the imported fresh fruits in China are Hong Kong re-exports because of Hong Kong's superior transportation, financial and commercial infrastructure, especially when some of the Hong Kong companies have the distribution network and know how to import products at a competitive price.

Chinese importers who have extensive experience with U.S. fresh fruits are concerned about the quality and packaging of the imported products. They feel that their advice is being ignored by the big players. U.S. fresh fruits are facing increasingly fierce competition from other countries, such as Australia and Chile, whose prices are more competitive and quality is almost as good as the U.S. products. Despite the positive image of U.S. products, the rising income of Chinese consumers, the more open policy from Chinese authorities and lower tariff rate, U.S. exporters would find the South China market a tough challenge until they listen to their Chinese buyers.

Procedures For Importing Fresh Fruits From the U.S.:

To import fresh fruits into China, the importers usually visit the U.S. to see the products before their shipment. After the shipment arrives in Hong Kong, the containers are transferred to smaller vessels and shipped to other ports in China. More than 40% of imported fresh fruits in China are transferred through Hong Kong. When the imported fresh fruits arrive in Guangzhou, the importers present their import licence for Custom Declaration and have the fruits inspected by the State Administration of Entry-Exit Inspection and Quarantine. When all is done, the importers transport the fruits in the containers to wholesale market, sell those fruits directly from the containers to save labor cost and store the left over in the refrigerated warehouse for sales after a few days of direct sales. Traders and wholesalers from other cities of China come to wholesale market, like Lishui Market, to negotiate purchasing of the imported fresh fruits. Cash transaction is the dominant payment method for the Chinese wholesale market at present. A few of the wholesalers are able to have short-term credit. When business is settled, wholesalers send the fruits, sometime in refrigerated trucks, to other cities for a second-tier wholesaling.

Concerns On Importing From the U.S.:

Chinese importers raised a number of concerns on importing from the United State. High import tariffs are very costly to the importers. (See Table 1 for fresh fruits tariff reference in China

) Although tariffs for imported fresh fruits will be reduced after China becomes a WTO member, U.S. producers will continue to have a higher price than their domestic substitute or counterpart. Currently, it costs around US\$20-30 for one box (about 40 kg) of imported oranges. In contrast, a box of domestic oranges costs only around US\$10-15. Because of the low income of average Chinese families, only the more affluent Chinese could afford to buy U.S. fresh fruits at the higher price. However, the number of more affluent Chinese is increasing. U.S. fresh fruits have a ready market. Whether U.S. exporters will adjust to the demands of this market is a key determination if they can benefit from the lower tariff. If they adjust successfully, the market volume for U.S. fresh fruit will increase by a big margin.

The quality and packaging of U.S. fresh fruits are the other issues raised by Chinese importers. For instance, they report that U.S. oranges have a better taste than those from other countries, but the quality of the oranges was unstable. Usually, the quality of the fruits at the top of the box is good, but the fruits at the bottom of the box are of poor quality. Whenever there is a quality dispute, it takes a long time to resolve it. Chinese importers wish that U.S. producers would implement a stricter quality control method to avoid this problem. As for packaging, they think that U.S. producers may have not pay enough attention to the packaging of their fruits in comparison with the producers of other countries. For example, the producers in South Africa use a wooden frame to pack their produces to help prevent the fruits from transportation damages. The paper boxes used by U.S. producers for packaging sometimes become out of shape during the long distance shipment, and the fruit inside is bruised and damaged.

Some importers are concerned that the wax on the surface of U.S. fresh fruit is too greasy and not pleasant to touching. According to their experience, Chinese consumers are reluctant to buy fruits that are not good to touching. The importers suggested that U.S. producers improve on waxing fruits so that the imported fresh fruits can be sold more easily.

Another issue they raised is the difficulty for Chinese traders to travel to U.S. to see the market. In China, it is still quite hard for them to get passports and visas to visit U.S. for business. It usually takes them months to go through the application processing. An invitation by U.S. producers or fruits associations will help them a lot in the application process. By visiting the U.S. market, they could have a better understanding on what other U.S. fresh fruits are available and whether they would be accepted by the Chinese consumers. They could do research on the U.S. market and have a first hand information about those fruits which are currently not permitted entry into China. Once those fruits are allowed for import into China, they will know whom to contact and quickly import the fruits of high quality and the right brands. There had been some misunderstanding between them and the U.S. fruit producers in the past, due to the long distance and language obstacles. The frequent exchange of visits and better understanding of both China and U.S. fruit markets will avoid such misunderstanding. [Comment: ATO Guangzhou has been successful in working with Chinese buyers to obtain business visas for travel to the U.S., thanks to the cooperation of the visa officers of the Guangzhou Consulate.]

Apples, grapes and oranges are the main fresh fruits imported into China from the United States currently. Last year, Lishui market alone imported approximately 2,000 containers of apples, 2,000 containers of grapes and 300 containers of oranges from the U.S.

With the improvements of living standard of Chinese people, the market share of U.S. imported fresh fruit has the potential for increase. The Chinese fresh fruits importers look forward to China's WTO accession and they expect that the tariffs will be reduced gradually. They are optimistic about the future of the imported fruits market in China. They welcome people from all over the world, especially U.S., to visit their market and do business with them. The challenge is, are U.S. exporters ready for the Chinese market?

In one of ATO/GZ's visit to the Lishui Market, we are introduced to an Australian producer. We were told that this Australian producer comes to Lishui Market quite often to check on his products. Each time, he would stay for several days talking to the traders and distributors, asking their opinions about his products, and getting more and more information about the fresh fruit market in China. When he goes back to Australia, he would make necessary adjustments to make sure that his products meet the needs of Chinese consumers and be sold well in China market. We were also told that one California orange producer was more responsive to local needs and its sale volume has outstripped its more well-known competitor.

The Nan Hai Lishui (Fresh Fruits) Market:

Among all the importers of fresh fruits in China, Nan Hai Lishui (Fresh Fruits) Market is Number one, with more than 10,000 containers and 2.5 billion RMB of fruit importation a year. (US\$1 is equivalent to 8.265 RMB) It is the largest fresh fruit wholesale center in China, and the only fresh fruit wholesale market run on a joint-venture basis. Its four major partners are Je Wang Trading Co., Guangdong Fu Li Limited, Hong Kong Hong Tu Trading Co., and Ri Sheng Development Limited. Lishui Market is supported by Guangdong provincial and municipal government. Established in June 1998, its total sales of imported fresh fruit at present accounts for more than 75% of the whole imported fresh fruit market in China and 90% of Guangzhou's imported fruit market.

Lishui Market occupies an acreage of 215 hectares (an equal of 143,405 sq. m.). It is conveniently located in Lishui County of Nan Hai City with close proximity to the exit of the Guang-Fo Expressway, about 15 minutes drive to Guangzhou Bai Yun International Airport and railway terminals, and with linkage to the major ports in the neighboring provinces by means of numerous main routes. It can accommodate parking of about 272 container trucks and processing of a maximum of 480 containers at the same time.

The Market possesses commercial, financial and amenity facilities and can provide various services. It has its own cargo shipping team, land transportation team, and a Customs declaration handling team. The fruits can be transferred to Lishui market within one day, after the arrival at Hong Kong from other countries. With a 1,500T refrigeration warehouse, the market is capable of storing fruits according to the requirements of its clients to preserve the quality of the fruits despite external high temperature. The market also has a knowledgeable management team and a well trained security team to safeguard business dealings in the market. For more information about the market, contact Ms. Eva Liu Feng Yi, Assistant General Manager, Nan Hai Lishui (Fresh Fruit) Market Ltd., Li Shui, Nan Hai, Guangdong, China. Tel: (0757) 566 4381; Fax: (0757) 5664378; or contact ATO Guangzhou office at

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TABLE 1

Tariffs for some imported fresh fruits charged by China are as follows:

Commodity Code	Product Description	Preferential Tariff Rate	Average Tariff Rate	Added Value Tariff Rate	Import Combination Tariff Rate
0803.0000	Banana; fresh or preserved	25	40	13/17	41.25/46.25
0804.5020	mango; fresh or preserved	25	80	13/17	41.25/46.25
0805.1000	orange; fresh or preserved	40	100	13/17	58.20/63.80
0805.3000	lemon; fresh or preserved	40	100	13/17	58.20/63.80
0806.1000	grape; fresh	40	80	13	58.20
0806.2000	grape; preserved	40	80	17	63.80
0807.1100	watermelon; fresh	30	70	13	46.90
0808.1000	apple; fresh	30	100	13	46.90
0808.2012	pear; fresh	30	100	13	46.90
0810.1000	strawberry; fresh	30	80	13	46.90

* based on Customs Import & Export Tariff of P.R.C. for 2000